

# SENATE BILL REPORT

## SB 6397

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As Reported By Senate Committee On:  
Ways & Means, January 25, 1996

**Title:** An act relating to business and occupation tax exemptions for wholesale transactions involving motor vehicles at auctions.

**Brief Description:** Providing business and occupation tax exemptions for auctions and wholesale transactions involving motor vehicles.

**Sponsors:** Senators Sheldon, Hale and Oke.

**Brief History:**

**Committee Activity:** Ways & Means: 1/24/96, 1/25/96 [DPS].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6397 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Hargrove, Hochstatter, Johnson, Kohl, Long, McDonald, Pelz, Roach, Sheldon, Snyder, Spanel, Strannigan, West, Winsley and Wojahn.

**Staff:** Terry Wilson (786-7433)

**Background:** Washington's major business tax is the business and occupation (B&O) tax. Although there are several different rates, the rates on manufacturing, wholesaling, and extracting is 0.506 percent.

The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Out-of-state companies that bring goods into Washington and sell these goods in Washington are subject to the B&O tax.

**Summary of Substitute Bill:** A B&O tax exemption is provided for wholesalers of automobiles on sales of automobiles at auctions to dealers licensed in this or another state.

**Substitute Bill Compared to Original Bill:** The original bill was not considered.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** This will return business to Washington. The Department of Revenue started taxing out of state manufacturers selling motor vehicles at wholesale auctions. GM

and Chrysler left the state and are doing business in Oregon where they do not pay the tax. Others may leave in the future. This resulted in the loss of many high paying jobs for vehicle reconditioning. In 1992, GM alone sold 13,000 vehicles here. This resulted in over \$4 million in local spending. GM had a block of 55 rooms at SeaTac. In 1993, no vehicles were sold, no rooms were booked, and no local business done.

**Testimony Against:** None.

**Testified:** Jim Vance, Gordon Walgren, South Seattle Auto Auction (pro); Rick Jensen, ADT Automotive Inc. (Puget Sound Auto & Tri-Cities Auto) (pro); Gary Dickinson, ADT Automotive Inc. (pro).